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## BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION  
 OF LITCHFIELD PARK SERVICE  
 COMPANY, AN ARIZONA  
 CORPORATION, FOR A  
 DETERMINATION OF THE FAIR VALUE  
 OF ITS UTILITY PLANTS AND  
 PROPERTY AND FOR INCREASES IN ITS  
 WASTEWATER RATES AND CHARGES  
 FOR UTILITY SERVICE BASED  
 THEREON.

DOCKET NO: SW-01428A-09-0103

IN THE MATTER OF THE APPLICATION  
 OF LITCHFIELD PARK SERVICE  
 COMPANY, AN ARIZONA  
 CORPORATION, FOR A  
 DETERMINATION OF THE FAIR VALUE  
 OF ITS UTILITY PLANTS AND  
 PROPERTY AND FOR INCREASES IN ITS  
 WATER RATES AND CHARGES FOR  
 UTILITY SERVICE BASED THEREON.

DOCKET NO: W-01427A-09-0104

IN THE MATTER OF THE APPLICATION  
 OF LITCHFIELD PARK SERVICE  
 COMPANY, AN ARIZONA  
 CORPORATION, FOR AUTHORITY (1) TO  
 ISSUE EVIDENCE OF INDEBTEDNESS IN  
 AN AMOUNT NOT TO EXCEED \$1,755,000  
 IN CONNECTION WITH (A) THE  
 CONSTRUCTION OF TWO RECHARGE  
 WELL INFRASTRUCTURE  
 IMPROVEMENTS AND (2) TO  
 ENCUMBER ITS REAL PROPERTY AND  
 PLANT AS SECURITY FOR SUCH  
 INDEBTEDNESS.

DOCKET NO. W-01427A-09-0116

Arizona Corporation Commission  
**DOCKETED**

OCT 14 2010

DOCKETED BY

1 IN THE MATTER OF THE APPLICATION  
2 OF LITCHFIELD PARK SERVICE  
3 COMPANY, AN ARIZONA  
4 CORPORATION, FOR AUTHORITY (1) TO  
5 ISSUE EVIDENCE OF INDEBTEDNESS IN  
6 AN AMOUNT NOT TO EXCEED \$1,170,000  
7 IN CONNECTION WITH (A) THE  
8 CONSTRUCTION OF ONE 200 KW ROOF  
9 MOUNTED SOLAR GENERATOR  
10 INFRASTRUCTURE IMPROVEMENTS  
11 AND (2) TO ENCUMBER ITS REAL  
12 PROPERTY AND PLANT AS SECURITY  
13 FOR SUCH INDEBTEDNESS.

DOCKET NO. W-01427A-09-0120

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**LITCHFIELD PARK SERVICE COMPANY'S  
EXCEPTIONS AND SUGGESTED CORRECTIONS TO  
RECOMMENDED OPINION AND ORDER**

1 Pursuant to A.A.C. R14-3-110(B), Applicant Litchfield Park Service Company  
2 ("LPSCO" or the "Company") submits the following exceptions to the Recommended  
3 Opinion and Order ("ROO") dated October 5, 2010.

4 **I. SUMMARY OF EXCEPTIONS.**

5 After nearly two years of concerted effort by the Company, Staff, RUCO and the  
6 Administrative Law Judge, LPSCO appreciates that the ROO is a thoughtful and well-  
7 reasoned attempt to balance the interests of the Company and its ratepayers. Judge Nodes  
8 has sought to resolve numerous issues in a fair and reasonable way, and LPSCO  
9 understands the difficulty of such an endeavor. Therefore, rather than take exception to  
10 several issues and findings in the ROO with which LPSCO disagrees, the Company files  
11 exceptions on only three issues.

12 First, LPSCO requests that the Commission modify the ROO to make the new rates  
13 effective October 1, 2010. That modification is necessary to alleviate substantial added  
14 financial harm to the Company resulting from rate case delays that were much longer than  
15 any party anticipated and such change would afford the Company the same relief that the  
16 Commission has granted to three other utility companies in recent rate case decisions.

17 Second, the Company requests clarification of the ROO relating to the allocation of  
18 Central Office Costs. In the ROO, Judge Nodes found a total of \$75,100 in allowable  
19 Central Office Costs.<sup>1</sup> But the ROO is ambiguous as to whether that amount is allocated  
20 equally each to LPSCO's water and wastewater divisions (for a total allocation of  
21 \$150,200); or if that amount is split equally between the water and wastewater divisions  
22 (\$37,550 to each). If the ROO is intended to allocate \$75,100 in Central Office Costs to  
23 both the water and wastewater divisions of LPSCO (for a total allocation of \$150,200),  
24 then LPSCO does not take any exception to the cost allocations.

25 But if the ROO is intended to allocate a total of \$75,100 in Central Office Costs to

26 <sup>1</sup> ROO at 49:19-20.

1 be divided equally between the water and wastewater divisions (\$37,550 each), then  
2 LPSCO takes exception because of a mathematical error in the ROO. If that is the intent  
3 of the ROO, the ROO contains a mathematical error relating to LPSCO's Central Office  
4 Cost allocation percentage, which understates the amount of Central Office Costs that the  
5 Company is entitled to under that methodology as adopted in the ROO.

6 Third, LPSCO asks the Commission to approve an updated form of low income  
7 tariff. The updated form includes several modifications to the original form submitted by  
8 LPSCO. These changes were drafted jointly by LPSCO's affiliates, Rio Rico Utilities,  
9 Inc. (RRUI) and Bella Vista Water Company (BVWC) in their pending rates cases, in  
10 cooperation with Staff and RUCO.

11 **II. LPSCO'S EXCEPTIONS.**

12 **A. The Effective Date of the Order Should Be October 1, 2010.**

13 LPSCO asks the Commission to make the rates approved effective October 1,  
14 2010.<sup>2</sup> The test year ended more than two years ago, the case was filed 20 months ago,  
15 and the Commission's own time clock expired over four months ago. At the ROO's  
16 revenue levels, LPSCO has lost more than \$2.5 million in revenue from June 1 through  
17 September 30, 2010. LPSCO implores the Commission not to make the Company pay  
18 another \$650,000 for another month. This is not about laying blame at the Commission's  
19 feet. Liberty Water is well aware of the budget and staffing constraints the Commission  
20 has operated under the past two years. The Company has quietly accepted the delays and  
21 foregone revenue. Now, however, the Commission has the power to remedy a harm the  
22 Company has suffered through no fault of its own. The Commission should do so for two  
23 fundamental reasons.

24 First, LPSCO is asking for nothing more than the same relief the Commission  
25 recently afforded to three similarly situated water/wastewater utility providers. On

26 <sup>2</sup> ROO at 83:23-24 (establishing November 1, 2010 effective date).

1 August 25, 2010, the Commission issued Decision No. 71845 making Arizona Water  
2 Company's rates for water service effective July 1, 2010.<sup>3</sup> On September 15, 2010, the  
3 Commission issued Decision No. 71878 and approved Global Water's rates effective  
4 August 1, 2010.<sup>4</sup> Finally, the Commission issued Decision No. 71854 on August 25, 2010  
5 and approved rate decreases for Johnson Utilities, retroactive to June 1, 2010.<sup>5</sup>

6 Like these water utilities, LPSCO's rates have been delayed several months and,  
7 therefore, similar regulatory treatment is warranted. In today's environment, consistent  
8 regulatory treatment and consistent application of ratemaking principles by utility  
9 commissions is critical for the water and wastewater industry. In his seminal treatise on  
10 regulatory ratemaking, James Bonbright emphasized that fair ratemaking is dependent on  
11 regulatory agencies consistently applying ratemaking principles: "[w]hat makes an  
12 allowed return fair in any specific rate case must be its fair conformity with the general  
13 principles applicable also in other years and under different conditions. Apart from such  
14 conformity, the fairness of the allowance at any one time is simply indeterminate."<sup>6</sup> By  
15 approving those effective dates for Arizona Water Company and Global Water, the  
16 Commission effectively has recognized the importance of mitigating financial damages  
17 resulting from rate case delays. The Commission's approach in such circumstances is  
18 laudable and well-appreciated by the industry. LPSCO requests that the Commission  
19 apply those principles in this case by granting an effective date of October 1, 2010.

20 Second, fundamental fairness favors the requested relief. In two critical instances,  
21 the ROO already recognizes that fairness to ratepayers requires certain relief in light of the  
22 struggling economy.<sup>7</sup> The Company offered its proposal to phase-in the rate increases in

23 <sup>3</sup> Decision 71845 at 92:17-19.

24 <sup>4</sup> Decision No. 71878 at 85:26-27.

24 <sup>5</sup> Decision No. 71854 at 72: 1-3.

25 <sup>6</sup> "Principles of Public Utility Rates," James C. Bonbright, 1961, p. 151 (emphasis added).

25 <sup>7</sup> Specifically, the ROO reduces the return on equity due to the economy and its impact on rate payers.  
26 ROO at 61 – 62. Similarly, the Company's phase-in was modified in the ROO to reflect a rate design  
deemed more favorable to ratepayers. ROO at 73 – 74.

1 response to the Chairman's request for a means of mitigating the immediate impact of  
2 necessary rate increases, and the Company accepts the recommended modifications in the  
3 ROO. But LPSCO does not agree with the finding that the Return on Equity (ROE)  
4 should be reduced further as a result of the economy. The Company accepts that the  
5 Commission likely will adopt both aspects of the ROO in an effort to balance the interests  
6 of customers and the Company. Under these circumstances, therefore, LPSCO believes  
7 that the balance of equities favors the relief sought by the Company on the effective date  
8 of the new rates. If the ROO is not amended, LPSCO will forever lose an additional  
9 \$650,000 on top of the more than \$2,000,000 it already has lost due to unforeseen delays.  
10 Thus, principles of fundamental fairness support an October 1, 2010 effective date for the  
11 rates to be approved in this docket.

12 **B. The Central Office Cost Allocations to LPSCO.**

13 LPSCO asks the Commission to clarify the meaning of the ROO relating to  
14 allocation of the Central Office Costs to LPSCO. The only cost allocation issue in dispute  
15 relates to Central Office Costs allocated from APT to the Company. In the ROO, Judge  
16 Nodes recommended recovery of the APT cost allocations related to audit expenses, tax  
17 service expenses, general legal expenses and depreciation expense.<sup>8</sup> The ROO approves  
18 an allocation of 23.94% of those APT costs to the 17 regulated utilities owned by Liberty  
19 Water, and approves an allocation of those APT costs to LPSCO's water and wastewater  
20 divisions based on customer count.<sup>9</sup> The ROO concludes that "[f]or the Algonquin  
21 companies, certain efficiencies are inherent in its operation of multiple systems and we  
22 anticipate that LPSCO and the other Arizona affiliates will continue to provide quality  
23 service at the lowest possible cost."<sup>10</sup>

24  
25 <sup>8</sup> ROO at 49.

26 <sup>9</sup> ROO at 49.

<sup>10</sup> ROO at 50.

1 The ROO recognizes the benefits of Liberty Water's shared services model and  
2 generally approves LPSCO's proposed cost allocation methodology with certain  
3 modifications for audit expenses, tax costs, general legal costs and depreciation expense  
4 incurred by APT. The ROO approves a total APT cost pool of \$1,276,242 for audit costs,  
5 tax services, general legal expenses and depreciation.<sup>11</sup> The ROO then allocates that cost  
6 pool to the 17 regulated utilities owned by APUC based on the total number of facilities  
7 owned or operated by APUC, which is 17/71 or 23.94%.<sup>12</sup>

8 Under the ROO, the total approved APT cost pool to be allocated to the 17  
9 regulated utilities (including LPSCO) is \$305,532.33, which is 23.94% of \$1,276,242.<sup>13</sup>  
10 Unfortunately, that amount of allowable Central Office Costs does not adequately cover  
11 Liberty Water's costs of obtaining those benefits for LPSCO and the other regulated  
12 utilities. Th at total approved cost allocation pool is not sufficient or fair given the  
13 substantial benefits provided to the Company, the low operating costs under Liberty  
14 Water's shared services model and the minimal costs to customers for the APT  
15 allocations. Although the Company does not agree with these proposed cost allocation  
16 amounts, LPSCO has limited its exception to the following issues in this case.

17 The ROO allocates that approved cost pool (\$350,532.33) to the individual utilities  
18 based on customer count.<sup>14</sup> Specifically, the ROO approves an allocation to LPSCO  
19 based on LPSCO's customer count, which is determined by dividing LPSCO's customer  
20 count (as calculated in the ROO) into the total number of regulated utility customers for  
21 all 17 of Liberty Water's regulated utilities.<sup>15</sup> Under the ROO, the customer count  
22 percentage for LPSCO's water division is 23.32% and the customer count percentage for  
23

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24 <sup>11</sup> ROO at 49, fn. 34.

25 <sup>12</sup> ROO. at 49:12-14.

26 <sup>13</sup> ROO at 49, fn. 34.

<sup>14</sup> ROO at 49:15-17.

<sup>15</sup> ROO at 49:15-17.

1 LPSCO's wastewater division is 25.83%.<sup>16</sup> Because LPSCO provides both water and  
2 wastewater service to customers, the ROO includes an averaging calculation for  
3 customers that receive both water and wastewater service for cost allocation purposes.  
4 Specifically for LPSCO, the ROO averages the customer count percentage for LPSCO's  
5 water division (23.32%) and the customer count percentage for LPSCO's wastewater  
6 division (25.83%) for a total customer count percentage for LPSCO equal to 24.58%.<sup>17</sup>  
7 The ROO then multiplies that customer count percentage by the total approved cost pool  
8 (\$305,532.33) to allocate \$75,100 in APT costs to LPSCO.<sup>18</sup>

9 On that issue, the ROO states that "[t]he total LPSCO amounts for these central  
10 office expenses will be allocated equally to the water and wastewater divisions."<sup>19</sup>  
11 LPSCO requests clarification on the meaning of that sentence. If the ROO equally  
12 allocates \$75,100 to LPSCO's water division and \$75,100 to LPSCO's wastewater  
13 division (for a total allocation of \$150,200), then LPSCO will accept the cost allocations  
14 in this case.<sup>20</sup> Such a finding would recognize that the water and wastewater divisions  
15 benefit from the Central Office Costs and the Company would be willing to accept such  
16 finding on the record in this case.

17 But if the ROO is intended to split the \$75,100 equally between the water and  
18 wastewater divisions (resulting in an allocation of \$37,550 for each), then, at a minimum,  
19 it is necessary to correct a mathematical error in the ROO relating to averaging the  
20 customer count for LPSCO. By averaging the customer count percentages of LPSCO's  
21 water and wastewater divisions, the total number of customers for LPSCO is decreased  
22

23 <sup>16</sup> ROO. at 49, fn. 35.

24 <sup>17</sup> ROO at 49, fn. 35 [(23.32 + 25.83)/2 = 24.58].

24 <sup>18</sup> ROO at 49, fn. 35 [.2458 x 305,532.33 = 75,100].

25 <sup>19</sup> ROO at 49, fn. 35.

26 <sup>20</sup> Essentially, that would involve an allocation of 24.58% of the cost pool (\$305,532.33) to both the water and wastewater divisions, which would reflect the fact that LPSCO has approximately 48% of the total regulated utility customers for the 17 utilities owned by Liberty Water.



1 from 31,169 actual customers to 15,658 customers for allocation purposes.<sup>21</sup> Presumably,  
2 the Commission would apply the same averaging calculation to all of Liberty Water's  
3 utilities that provide both sewer and water service to customers.

4 The ROO, however, does not include a corresponding reduction in the total number  
5 of Liberty Water utility customers based on averaging the customer count percentages to  
6 account for customers that receive both water and sewer service. That step is critical for  
7 cost allocation purposes because the total number of customers is used to determine the  
8 cost allocation percentage for each utility, including LPSCO. Put simply, the ROO  
9 reduces the numerator (LPSCO's customer count) in the equation without a corresponding  
10 reduction in the denominator (Liberty Water's total customer count).

11 As a matter of fairness, if the ROO reduces the number of LPSCO's customers (the  
12 numerator) by averaging its customer counts for its water and wastewater division, the  
13 ROO also must reduce the total number of Liberty Water customers (the denominator).  
14 When averaging the customer count percentages for all of Liberty Water's utilities that  
15 provide water and wastewater service, the total number of Liberty Water customers for  
16 allocation purposes is 42,786 (the denominator). Thus, LPSCO's allocation percentage  
17 must be based on that revised total customer count percentage (15,658/42,786) rather than  
18 the total number of water and wastewater customers of 64,094 (15,658/64,094).

19 The chart attached as Exhibit A corrects that mathematical error. Using that  
20 methodology if adopted in the ROO, Liberty Water has a total of 42,786 customers for  
21 allocation purposes and LPSCO has a total of 15,658 customers for allocation purposes.  
22 Thus, the proper allocation percentage for LPSCO is 36.60% (15,089/42,786). Using the  
23 total approved APT cost pool of \$305,532.33 as stated in the ROO, the correct total

24 \_\_\_\_\_  
25 <sup>21</sup> It should be noted that LPSCO had approximately 991 wastewater customers who did not receive water  
26 service from LPSCO. Thus, one might question whether the cost allocations should be based on averaging  
the customer counts of the water and wastewater divisions because of potential subsidization issues  
relating to those wastewater customers.

1 allocation amount for LPSCO would be \$111,813.61,<sup>22</sup> to be divided equally between the  
2 water and sewer divisions, which results in an allocation of \$55,906.81 each to LPSCO's  
3 water and wastewater divisions. For LPSCO's water customers, each customer would be  
4 charged 31¢ per month for the APT costs; LPSCO's wastewater customers would be  
5 charged 29¢ per month for the APT costs.<sup>23</sup> At a minimum, LPSCO respectfully requests  
6 that the ROO be modified to correct this mathematical calculation issue.

7 **C. Replacement of Alternate Rate Tariff.**

8 The ROO recommends approval of LPSCO's proposed form of low income tariff,  
9 also referred to as an Alternate Rate Tariff.<sup>24</sup> No party opposed the approval of this tariff,  
10 and one certainly should be approved in this rate case.<sup>25</sup> LPSCO, however, suggests that  
11 the Commission approve the alternate form of Alternate Rate Tariff attached as Exhibit B.  
12 This form of low income tariff contains modifications adopted by LPSCO's affiliates,  
13 RRUI and BVWC, in their pending rate cases. The majority of these changes, including  
14 use of participation caps and actual administrative cost recovery, were recommended by  
15 Staff. The Company prefers this updated version of the low income tariff because it  
16 would maximize consistency among the Liberty Water utilities in Arizona. Staff and  
17 RUCO agree.<sup>26</sup>

18 **III. LPSCO'S SUGGESTED AMENDMENTS TO THE ROO.**

19 1. On page 83, line 24, "November 1, 2010" should be replaced with  
20 "October 1, 2010."

21 2. On page 49, lines 18-20 should be modified as follows: "We believe

22 <sup>22</sup>  $\$305,532.33 \times .3660 = \$111,813.61$ .

23 <sup>23</sup> As noted on Exhibit A, LPSCO had 16,080 wastewater customers and 15,089 water customers. Under  
24 this proposed method, each division would be allowed \$55,906.81 in APT costs, which equals \$4,658.90  
25 in APT costs per month. For the water division,  $\$4,658.90/15,089$  equals a monthly per customer charge  
26 of \$0.31. For the wastewater division,  $\$4,658.90/16,080$  equals a monthly per customer charge of \$0.29.

<sup>24</sup> ROO at 70:18 – 71:20.

<sup>25</sup> ROO at 71:14-15.

<sup>26</sup> Counsel for Staff and RUCO have indicated to undersigned counsel that their clients support this  
suggested update to the low income tariff to be approved by the Commission in this docket.

1 allowing a total of \$75,100 of allowable common corporate central office costs for each  
2 division of LPSCO represents a reasonable amount in this proceeding based on  
3 consideration of the Company's overall size, the level of necessary services, and  
4 efficiencies available through the APIF shared services methodology."

5 3. In the event the Commission does not adopt the modifications in paragraph  
6 two above, then LPSCO seeks the following amendment to the ROO. On page 49, lines  
7 15-17 and footnote 35 should be deleted and replaced with the following language:

8 The Liberty Water allocation shall be further allocated to LPSCO based on  
9 the basis of the number of customers. The allocable percentage identified  
10 by the Company is 23.54% and 25.09% for the water and wastewater  
11 divisions, respectfully, based on the number of customers relative to Liberty  
12 Water's other operating companies. Because the vast majority of customers  
13 on LPSCO's system receive both water and wastewater service, we believe  
14 it is appropriate to use an average percentage for the customer count, and  
15 then divide the result equally between the water and wastewater divisions  
16 for purposes of determining the total central office allocation. That  
17 averaging calculation also changes the total number of customers for Liberty  
18 Water's regulated utilities for cost allocation purposes. Under this  
19 methodology, LPSCO's allocation percentage is 36.60%. Based on this  
20 methodology, we find that appropriate total central office expenses for  
21 LPSCO in this proceeding to be \$111,813 (36.60% of \$305,533), based on  
22 \$44,419 for audit expenses (36.60% of \$121,376); \$23,217 for tax expenses  
23 (36.60% of \$63,441); \$26,283 for general legal expenses (36.60% of  
24 \$71,820); and \$17,894 for depreciation expense (36.60% of \$48,896). The  
25 total LPSCO amounts for these central office expenses will be allocated  
26 equally between the water and wastewater divisions.

4. On page 71, lines 16-20 should be deleted and replaced with the following  
language: "We find that LPSCO's proposed low-income tariff is reasonable and should  
be approved. LPSCO should file, along with the tariff of rates and charges approved  
herein, a copy of the low income tariff attached as Exhibit B to its Exceptions and  
Suggested Corrections to Recommended Opinion and Order filed on October 14, 2010.  
The Company should implement that low income tariff in accordance with the guidelines  
set forth in Mr. Bourassa's testimony (Ex. A-14, at 33-36)."

## IV. CONCLUSION

The Company respectfully requests that the Commission adopt these exceptions and modify the ROO as set forth above.

DATED this 14th day of October, 2010.

FENNEMORE CRAIG, P.C.

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**COPY** of the foregoing hand-delivered  
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# EXHIBIT

## A



**LPSCO COST ALLOCATION PER RECOMMENDED OPINION AND ORDER**

UTILITY	WATER CUSTOMERS [THROUGH 9/08]	WATER CUSTOMER COUNT %	SEWER CUSTOMERS [THROUGH 9/08]	SEWER CUSTOMER COUNT %	TOTAL CUSTOMERS [THROUGH 9/08]	AVERAGE CUSTOMER COUNT % PER ROO	TOTAL CUSTOMERS PER ROO	CUSTOMER COUNT ALLOCATION % PER ROO	APT ALLOCATION UNDER ROO (USING \$305,532.33 COST POOL)	MONTHLY COST PER CUSTOMER
LITCHFIELD PARK SERVICE CO.	15,089	23.54%	16,080	25.09%	31,169	24.32%	15,658	36.60%	\$111,813.65	\$0.60
BELLA VISTA WATER	8,166	12.74%	0	0.00%	8,166	12.74%	7,928	18.53%	\$56,616.24	\$0.60
NORTHERN SUNRISE WATER	338	0.53%	0	0.00%	338	0.53%	327	0.76%	\$2,334.22	\$0.60
SOUTHERN SUNRISE WATER	805	1.26%	0	0.00%	805	1.26%	835	1.95%	\$5,962.67	\$0.60
RIO RICO UTILITIES, INC.	6,190	9.66%	2,089	3.26%	8,279	6.46%	4,064	9.50%	\$29,017.54	\$0.60
BLACK MOUNTAIN SEWER	0	0.00%	2,028	3.16%	2,028	3.16%	1,981	4.63%	\$14,142.62	\$0.60
GOLD CANYON SEWER	0	0.00%	5,378	8.39%	5,378	8.39%	6,274	14.66%	\$44,802.11	\$0.60
TALL TIMBERS (TEXAS)	0	0.00%	1,172	1.83%	1,172	1.83%	1,359	3.18%	\$9,704.51	\$0.60
WOODMARK SEWER (TEXAS)	0	0.00%	1,373	2.14%	1,373	2.14%	1,560	3.65%	\$11,139.83	\$0.60
HOLLY RANCH (TEXAS)	1,883	2.94%	150	0.23%	2,033	1.59%	961	2.25%	\$6,865.35	\$0.60
BIG EDDY (TEXAS)	608	0.95%	357	0.56%	965	0.75%	468	1.09%	\$3,341.14	\$0.60
PINEY SHORES (TEXAS)	185	0.29%	181	0.28%	366	0.29%	173	0.40%	\$1,235.76	\$0.60
HILL COUNTRY (TEXAS)	236	0.37%	329	0.51%	565	0.44%	269	0.63%	\$1,922.30	\$0.60
HOLIDAY HILLS (MISSOURI)	479	0.75%	0	0.00%	479	0.75%	474	1.11%	\$3,384.79	\$0.60
TIMBER CREEK (MISSOURI)	29	0.05%	24	0.04%	53	0.04%	26	0.06%	\$183.08	\$0.60
OZARK MOUNTAIN (MISSOURI)	253	0.39%	233	0.36%	486	0.38%	224	0.52%	\$1,601.91	\$0.60
FOX RIVER (ILLINOIS)	220	0.34%	219	0.34%	439	0.34%	205	0.48%	\$1,464.61	\$0.60
<b>TOTAL</b>	<b>34,481</b>	<b>53.80%</b>	<b>29,613</b>	<b>46.20%</b>	<b>64,094</b>	<b>65.40%</b>	<b>42,786</b>	<b>100.00%</b>	<b>\$305,532.33</b>	<b>\$0.60</b>

**EXPLANATION OF COST ALLOCATION CALCULATION UNDER RECOMMENDED OPINION AND ORDER:**

1. The ROO approves a total APT cost pool of \$1,276,242 for audit costs, tax services, general legal expenses and depreciation [ROO at 49, fn. 34]. The ROO then allocates that cost pool to the 17 regulated utilities owned by APUC based on the total number of facilities, which is 17/71 or 23.94% [ROO at 49: 12-14]. As such, the total approved APT cost pool is \$305,532.33, which is 23.94% of \$1,276,242 [ROO at 49, fn. 34].
2. The ROO then allocates that approved cost pool to the individual utilities based on customer count [ROO at 49: 15-17]. For utilities that serve both water and wastewater customers, the ROO averages the customer count allocation percentages of each separate water and wastewater division [ROO at 49, fn. 35]. For example, the ROO averages the customer count percentages for LPSCO's water division (23.32%) and the customer count percentage for LPSCO's wastewater division (25.83%) for a total customer count allocation percentage for LPSCO equal to 24.58% [ROO at 49, fn. 35].
3. Unfortunately, the ROO contains a mathematical error. By averaging the customer count percentages of LPSCO's water and wastewater divisions, the total number of customers for LPSCO is decreased from 31,169 actual customers to 15,658 total customers for allocation purposes. In turn, the ROO does not reduce the total number of Liberty Water utility customers based on averaging the customer count percentages to account for customers that receive both water and wastewater service. When averaging the customer count percentages for all of Liberty Water's utilities that provide both water and wastewater service, the total number of Liberty Water customers is 42,786. Thus, LPSCO's allocation percentage must be based on that customer count, rather than the total number of water and wastewater customers of 64,094. Put simply, because the ROO calculates the allocation percentage for LPSCO by averaging the water and wastewater customers (the numerator), the ROO must calculate the total number of customers for allocation purposes based on those averages (the denominator).
4. This chart corrects that mathematical error in the ROO. Using the methodology adopted in the ROO, Liberty Water has a total of 42,786 customers for allocation purposes and LPSCO has a total of 15,658 customers for allocation purposes. Thus, the proper allocation percentage for LPSCO is 36.60% (15,658/42,786). Using a total approved APT cost pool of \$305,532.33, the correct total allocation amount for LPSCO is \$111,813.61, to be divided equally between the water and wastewater divisions.
5. This chart is based on the Company's responses to Staff Data Request IMM 5-3.

# EXHIBIT B

Applies to all **WATER** and **WASTEWATER** service areas

**ALTERNATE RATES FOR WATER AND WASTEWATER (ARWW)**  
**DOMESTIC SERVICE – SINGLE FAMILY ACCOMMODATION**

**APPLICABILITY**

Applicable to residential water and wastewater service for domestic use rendered to low-income households where the customer meets all the program qualifications and special conditions of this rate schedule.

**TERRITORY**

Within all customer service areas served by Litchfield Park Service Company ("LPSCO").

**RATES**

Fifteen percent (15%) discount applied to the regular filed tariff.

**PROGRAM QUALIFICATIONS**

1. The LPSCO bill must be in your name and the address must be your primary residence or you must be a tenant receiving water service by a sub-metered system.
2. You may not be claimed as a dependent on another person's tax return.
3. You must reapply each time you move residences.
4. You must renew your application once every two (2) years, or sooner, if requested.
5. You must recertify each year by submitting a declaration attesting to your continuing eligibility, and provide one of the following items as proof of eligibility: 1) copy of tax return from prior year; or 2) copy of W2 form from prior year; or 3) copy of welfare / food stamp cards.
6. You must notify LPSCO within thirty (30) days if you become ineligible for ARWW.
7. Your total gross annual income of all persons living in your household cannot exceed the income levels below:

Issued: \_\_\_\_\_

Effective : \_\_\_\_\_

ISSUED BY:

Greg Sorensen, Director Of Operations  
Litchfield Park Service Company  
12725 W. Indian School Road, Suite D-101  
Avondale, AZ 85392

Effective \_\_\_\_\_

<u>No. of Person in Household</u>	<u>Total Gross Annual Income</u>
1	\$16,245
2	\$21,855
3	\$27,465
4	\$33,075
5	\$38,685
6	\$44,295

For each additional person residing in the household, add \$5,610

For the purpose of the program the "gross household income" means all money and non cash benefits, available for living expenses, from all sources, both taxable and non taxable, before deductions for all people who live in my home. This includes, but is not limited to:

Wages or salaries	Social Security, SSI, SSP	Rental or royalty income
Interest or dividends from:	Scholarships, grants, or other aid	Profit from self-employment
Savings account, stocks or bonds	used for living expenses	(IRS form Schedule C, Line 29)
Unemployment benefits	Disability payments	Worker's Compensation
TANF (AFDC)	Food Stamps	Child Support
Pensions	Insurance settlements	Spousal Support
Gifts		

Issued: \_\_\_\_\_

Effective : \_\_\_\_\_

ISSUED BY:

Greg Sorensen, Director Of Operations  
Litchfield Park Service Company  
12725 W. Indian School Road, Suite D-101  
Avondale, AZ 85392

### SPECIAL CONDITIONS

1. Application: An application on a form authorized by the Commission is required for each request for service under this schedule. A customer must reapply every two (2) years.
2. Recertification: A customer enrolled in the ARWW program must, each year, recertify by submitting a declaration attesting to continuing eligibility, and provide one of the following items as proof of eligibility: 1) copy of tax return from prior year; or 2) copy of W2 form from prior year; or 3) copy of welfare / food stamp cards.
3. Commencement of Rate: Eligible customers shall be billed on this schedule commencing with the next regularly scheduled billing period that follows receipt of application by LPSCO.
4. Verification: Information provided by the applicant is subject to verification by LPSCO. Refusal or failure of a customer to provide documentation of eligibility acceptable to LPSCO, upon request by LPSCO, shall result in removal from this rate schedule.
5. Notice from Customer: It is the customer's responsibility to notify the LPSCO if there is a change of eligibility status.
6. Rebilling: Customers may be re-billed retroactively for periods of ineligibility under the applicable rate schedule.
7. Master-metered: A reduction will be calculated in the bill of master-metered customers, who have sub-metered tenants that meet the income eligibility criteria, so an equivalent discount (15%) can be passed through to eligible customer(s).
8. Participation Cap: The ARWW program is limited to 5,000 water division customers and 5,000 wastewater division customers.

Issued: \_\_\_\_\_

Effective : \_\_\_\_\_

ISSUED BY:

Greg Sorensen, Director Of Operations  
Litchfield Park Service Company  
12725 W. Indian School Road, Suite D-101  
Avondale, AZ 85392

LITCHFIELD PARK SERVICE COMPANY  
APPLICATION FOR  
ALTERNATE RATES FOR WATER AND WASTEWATER PROGRAM

\_\_\_\_\_  
Your Name (Please Print)

☐ I am a sub-metered tenant

Litchfield Park Service Company Account No. |\_|\_|\_|\_|\_|\_|\_|\_|\_|\_|\_|\_|\_|\_|\_|\_|

Service Address \_\_\_\_\_

Mailing Address \_\_\_\_\_  
(if different from above address)

Telephone No. (home) \_\_\_\_\_ (work) \_\_\_\_\_

Number of people living in your household: Adults |\_|\_| + Children |\_|\_| = Total |\_|\_|

Total Gross Annual Income of Household \_\_\_\_\_

Please attach one of the items listed below as proof of income for eligibility verification.

- Copy of tax return from prior year
- Copy of W2 form from prior year
- Copy of welfare / food stamp cards

By signing below, I certify under penalty of perjury that this information is true and correct under the laws of the State of Arizona. I will provide proof of income and I will notify Litchfield Park Service Company of any changes that affect my eligibility. I understand that if I receive the discount without meeting the qualifications for it, I may be required to pay back the discount I received.

\_\_\_\_\_  
Customer Signature

\_\_\_\_\_  
Date

**INSTRUCTIONS:** An Application for Alternative Rates for Water and Wastewater Program must be submitted every two (2) years. A Declaration of Eligibility must be submitted annually.

Issued: \_\_\_\_\_

Effective : \_\_\_\_\_

ISSUED BY:

Greg Sorensen, Director Of Operations  
Litchfield Park Service Company  
12725 W. Indian School Road, Suite D-101  
Avondale, AZ 85392

Mail completed application to:  
Litchfield Park Service Company  
12725 W. Indian School Road, Suite D-101  
Avondale, Arizona 85392

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FOR LITCHFIELD PARK SERVICE COMPANY USE ONLY

Date received \_\_\_\_\_ Date Verified \_\_\_\_\_ Verified By \_\_\_\_\_

Issued: \_\_\_\_\_

Effective : \_\_\_\_\_

ISSUED BY:

Greg Sorensen, Director Of Operations  
Litchfield Park Service Company  
12725 W. Indian School Road, Suite D-101  
Avondale, AZ 85392

LITCHFIELD PARK SERVICE COMPANY  
DECLARATION OF ELIGIBILITY  
ALTERNATE RATES FOR WATER AND WASTEWATER PROGRAM

\_\_\_\_\_  
Your Name (Please Print)

Litchfield Park Service Company Account No. |\_|\_|\_|\_|\_|\_|\_|\_|\_|\_|\_|\_|\_|\_|\_|\_|

Service Address \_\_\_\_\_

Mailing Address \_\_\_\_\_  
(if different from above address)

Telephone No. (home) \_\_\_\_\_ (work) \_\_\_\_\_

I, \_\_\_\_\_,  
Your Name (Please Print)

last submitted an Application for Alternative Rates on \_\_\_\_\_  
(dd/mm/yyyy)

and hereby confirm my eligibility for the year ending \_\_\_\_\_  
(dd/mm/yyyy)

Please attach one of the items listed below as proof of income for eligibility verification.

- Copy of tax return from prior year
- Copy of W2 form from prior year
- Copy of welfare / food stamp cards

\_\_\_\_\_  
Customer Signature

\_\_\_\_\_  
Date

Issued: \_\_\_\_\_

Effective : \_\_\_\_\_

ISSUED BY:

Greg Sorensen, Director Of Operations  
Litchfield Park Service Company  
12725 W. Indian School Road, Suite D-101  
Avondale, AZ 85392



Mail completed declaration to:  
Litchfield Park Service Company  
12725 W. Indian School Road, Suite D-101  
Avondale, Arizona 85392

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LITCHFIELD PARK SERVICE COMPANY USE ONLY

Date received \_\_\_\_\_ Date Verified \_\_\_\_\_ Verified By \_\_\_\_\_

Issued: \_\_\_\_\_

Effective : \_\_\_\_\_

ISSUED BY:

Greg Sorensen, Director Of Operations  
Litchfield Park Service Company  
12725 W. Indian School Road, Suite D-101  
Avondale, AZ 85392